

Message Text

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45

ACTION ARA-20

INFO OCT-01 ISO-00 SEC-03 TRSE-00 JUSE-00 EUR-25 SCA-01

CIAE-00 INR-10 NSAE-00 RSC-01 L-03 SS-20 SP-03 NSC-07

NSCE-00 H-03 SSO-00 INRE-00 ARAE-00 USIE-00 PA-04

PRS-01 XMB-07 CEA-02 FRB-02 OMB-01 DRC-01 AID-20 /135 W

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O P 211535Z JUN 74

FM AMEMBASSY NASSAU

TO SECSTATE WASHDC IMMEDIATE 5703

INFO AMEMBASSY SAN JOSE PRIORITY

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E.O. 11652: N/A

TAGS: PINT, EFIN, BF

SUBJECT: VESCO PULLING OUT?

DEPT PASS SEC

BEGIN SUMMARY: SOME OF ROBERT VESCO'S BAHAMIAN CHICKENS
APPEAR TO BE COMING HOME TO ROOST AS THE GCOB MOVED JUNE 21
TO CLOSE DOWN THE BAHAMAS COMMONWEALTH BANK. THERE ARE OTHER
PERSISTENT REPORTS THAT MESSRS. VESCO AND LEBLANC ARE PULLING
OUT OF THEIR NASSAU OPERATIONS. END SUMMARY.

1. THE GCOB HAS REVOKED THE LICENSE OF THE BCB UNDER SECTION
NINE OF THE BANKS AND TRUST COMPANIES REGULATION ACT, 1965,
QTE ON THE GROUNDS THAT THE LICENSEE HAS BEEN OPERATING IN A
MANNER DETRIMENTAL TO THE PUBLIC INTEREST AND TO THE INTERESTS
OF ITS DEPOSITORS AND OTHER CREDITORS. UNQTE. THE CLOSING
FOLLOWS COMPLETION OF AN AUDITOR'S REPORT BY PEAT, MARWICK,
MITCHELL AND COMANY, WHO WERE PRESSURED BY THE GCOB TO PERFORM
THE AUDIT AFTER OTHER COMPANIES REFUSED TO DO SO BECAUSE OF
THE DANGER OF BECOMING A TARGET FOR SEC AND OTHER SUBPOENAS.
THIS HAD BEEN THE FIRST FORCED AUDIT UNDER THE
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1965 ACT. THE RESULTS OF THE AUDIT HAVE NOT BEEN MADE PUBLIC

AND MAY NOT BECOME AVAILABLE FOR SOME TIME, BUT SECTION NINE GIVES THE BAHAMIAN CENTRAL BANK THE RIGHT TO ORDER BANK CLOSURES IF THE INSTITUTION'S VIABILITY IS QUESTIONABLE AND THAT MAY GIVE SOME INDICATION OF WHAT THE AUDITORS FOUND.

2. BCB WAS THE CORNERSTONE OF VESCO'S DEALINGS IN THE BAHAMAS AND HAS ALLEGEDLY MADE SUBSTANTIAL LOANS ON MOST FAVORABLE TERMS TO VARIOUS BAHAMIAN POLITICIANS INCLUDING PRIME MINISTER PINDLING. MCLAREN INCIDENT OF LATE 1960'S AND OTHER CHAPTERS OF PINDLING'S POLITICAL AUTO-BIOGRAPHY SUGGEST HE IS NOT THE MOST GRATEFUL OF DEBTORS. THE EXTENT TO WHICH POLITICAL PERSONALITIES MAY BECOME ENTANGLED IN THE BANK'S FORCED CLOSURE AND ITS AFTERMATH IS NOT YET CLEAR. GCOB IS SAYING DEPOSITORS WILL BE PROTECTED AND DEBTORS EXPECTED TO REPAY LOANS UNDER SUPERVISION OF LIQUIDATORS TO BE APPOINTED.

3. PRIOR TO THE BCB CLOSING, EMBASSY HAD RECEIVED PERSISTENT REPORTS THAT VESCO WAS PULLING OUT OF NASSAU FOR SAN JOSE. REPORTEDLY, HE AND PINDLING HAD A VIOLENT ARGUMENT ABOUT TWO MONTHS AGO, PERHAPS CONCERNING THE FORCED BCB AUDIT, AND VESCO HAS NOT BEEN IN EVIDENCE AT HIS USUAL PARADISE ISLAND HAUNTS SINCE. HIS LAST VISIT WAS ALLEGEDLY A MIDNIGHT ONE AND HE DEPARTED FOUR HOURS AFTER HE ARRIVED FROM COSTA RICA. HEAD OF BAHAMIAN CRIMINAL INVESTIGATION DIVISION JOHN CRAWLEY REPORTS THAT VESCO HAS INDEED LEFT THE BAHAMAS. CRAWLEY SAYS VESCO HAS TURNED OVER VARIOUS BAHAMIAN INTERESTS TO SOME UNKNOWN INDIVIDUAL WHO WILL LIQUIDATE THEM AS WELL AS THE LOANS VESCO HAS MADE. ANOTHER SOURCE REPORTS THAT VESCO'S BAHAMIAN BASED PRIVATE SECRETARY HAS BEEN GIVEN HIS POWER OF ATTORNEY ON SEVERAL MATTERS AND IS APPREHENSIVE THAT SHE MAY BE LEFT HOLDING THE BAG.

4. VESCO'S NEXT DOOR NEIGHBOR REPORTED WEEK OF JUNE 20 THAT NO UNUSUAL ACTIVITY WAS VISIBLE AROUND VESCO'S BAHAMIAN HOME, THAT HIS GUARDS REMAIN IN PLACE AT THE FRONT GATE AND THAT HIS SON'S MOTOR BOATS ARE STILL IN THE DRIVEWAY.

5. EMBASSY IS SEEKING INFORMATION ON IMPLICATIONS OF THESE DEVELOPMENTS AND WILL REPORT SAME ASAP.
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Message Attributes

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